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January 21, 2015

Mrs. Susan M. Hudson, Clerk
Vermont Public Service Board
112 State Street
Montpelier, Vermont 05620

Re: Docket 7970-VGS System Expansion

Dear Mrs. Hudson:

On January 16, 2015, the Board issued an Order Re: Second Remand Request in which it requested comments from the parties as to the appropriate scope of the investigation, as well as the amount of time the Board should take to conduct the investigation. The Department offers the following comments.

Scope

In response to the announcement by Vermont Gas Systems, Inc. ("Vermont Gas") of a second revised cost estimate, the Department submitted comments to the Board on January 12, 2015. Comments on Second Revised Cost Estimate of Phase I Project, 1/12/15. In its Comments, the Department recommended an investigation to determine whether the project remains in the general good of the state in light of the revised cost estimate. The Department further recommended that Vermont Gas be required to demonstrate that its current cost estimate is reliable and that the Project continues to satisfy the § 248 (b) criteria that are impacted by costs. Department Comments at 4-6. The Department stands by the remainder of its January 12 comments and recommendations regarding the scope of the investigation and does not repeat them here.

In order to expedite the process, the Department highlights a deficiency in Vermont Gas's testimony filed January 15. The Department is struck by the paucity of information regarding the reliability of Vermont Gas's current cost estimate. At minimum, Vermont Gas must fully explain its current cost estimating approach, provide documentation and modeling that supports its current cost estimate, and make the case as to why the Board should rely on its second revised cost estimate. In doing so, Vermont Gas must compare and contrast its second



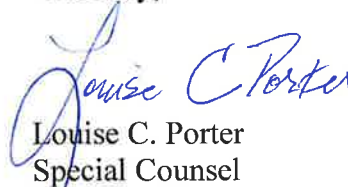
revised cost estimate with its first and explain why a cost estimate thought to be reliable could change so drastically in such a short period of time. As the Department has previously explained, it is essential for Vermont Gas to justify why its second revised cost estimate should be viewed as reliable when its first revised cost estimate proved otherwise.

Time/Schedule

In its January 16, 2015 filing, Response to the Parties' January 12, 2015 Comments and Motions, Vermont Gas proposed a schedule in the event of a remand. The Department generally supports the milestones provided in that schedule, including an opportunity for the parties to serve discovery on Vermont Gas, but would recommend that there be additional time between the milestones. However, the Department emphasizes that the feasibility of such an expedited schedule is based on Vermont Gas's willingness and ability to show that its current cost estimate is reliable. The Department therefore urges Vermont Gas to file supplemental information regarding the reliability of its second revised cost estimate as affirmative testimony, rather than requiring parties to search it out through the discovery process. Also, technical hearings should be scheduled for two days and parties should have two weeks to submit briefs. A period of time should be added for the Board to issue its order as to whether or not the record should be reopened.

Accordingly, the Department recommends that the Board seek a remand from the Supreme Court for a period of 90 days to evaluate whether to re-open the proceedings to address the second revised cost estimate. The Department appreciates this opportunity to offer comments. Please let me know if you have any questions.

Sincerely,



Louise C. Porter
Special Counsel

cc: Service List

PSB Docket Nos. 7970 - SERVICE LIST

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